GOVERNMENT OF INDIA
PANCHAYATI RAJ
LOK SABHA

STARRED QUESTION NO:199
ANSWERED ON:28.11.2007
FUNDS TO PANCHAYATS
Agarwal Shri Dhirendra;Prasad Shri Hari Kewal

Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) the basis for allocation of funds to the village panchayats;

(b) whether any talks have been held with the State Governments in this regard; and

(c) if so, the outcome thereof?

Answer

MINISTER OF PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to(c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN PARTS

(a),

(b) &

(c) FOR LOK SABHA STARRED QUESTION NO. 199 DUE FOR REPLY ON 28.11.2007 REGARDING FUNDS TO PANCHAYATS.

(a): There is no uniformity in State Governments implementing Panchayati Raj and hence no universal basis for the allocation of funds to village panchayats. Panchayati Raj is a State subject.

(b)&(c): Yes, Sir. The performance of elected rural bodies all these years has been constrained by a crunch of resources. Panchayats can perform effectively only if there is an appropriate devolution of adequate untied funds to enable them to deliver on their assigned public responsibilities. The "sound finances" of the Panchayats is a Constitutional obligation enjoined on the States by Article 243I. State Finance Commissions are specifically charged with preparing recommendations to ensure this. The Ministry of Panchayati Raj has been repeatedly urging State Governments to scientifically organise the devolution to Panchayats of the Functions, Finances and Functionaries on the basis of detailed Activity Maps so that the devolution of functions is matched by the devolution of finances on the same pattern and supported in turn by the devolution of functionaries.

The Minister of Panchayati Raj has thus far concluded 22 Memoranda of Understanding (Joint Statements of Conclusions) with Chief Ministers of States and Union Territories concerned.

2. Typically, finances flow to Panchayats from the Central Government and agencies authorized by Central Government (Finance Commissions, for instance), State Governments and agencies authorized by State Governments (State Finance Commissions, for instance) and through the mobilization of own revenues. The Ministry of Panchayati Raj has been continually in dialogue with the Union Government's Ministers, State Governments and agencies over the devolution of finances to the three tiers of Panchayati Raj Institutions.

3. At the First Round Table Conference of the State Ministers of Panchayati Raj convened in Kolkata in July 2004, consensus was reached that State Governments would specify in their respective State Budgets the domain of Panchayati Ras as this would clarify the devolution of tied funds and untied funds. State Governments were to include a component on PRIs in their State Budget, and this would be reflected in each sector. Consensus was also reached during that meeting that State Governments would encourage Panchayati Raj Institutions to mobilize their own resources. It was also agreed that the basis of allocation of funds to village panchayats ought to be guided by the principle of subsidiarity which says that any task/activity that can be assigned to a lower level need not be assigned to any higher level.

4. The Committee of Secretaries constituted in 2005 has had nine meetings so far with the Chief Secretaries of all state Governments as well as with Secretaries of Panchayati Raj Departments of all State Governments repeatedly urging each State Government to speedily devolve functions, finances and functionaries to Panchayats. The Council of Ministers of Panchayati Raj headed by the Union Minister of Panchayati Raj, which has been convened three times, has constantly urged State Governments to expedite the devolution of functions, finances and functionaries.

5. The Empowered Sub-Committee of the NDC, chaired by the Minister of Panchayati Raj, has also repeatedly addressed these issues and their directions have been communicated to State Governments. Compliance remains uneven.

6. During July 2007, Ministry of Panchayati Raj organized a National Seminar on "Panchayat Level Resource Mobilization and Efficient Fiscal Transfer". State Governments as well as State Finance Commissions participated in the deliberations and it was decided that State Governments would assist the State Finance Commissions on policy work to explore more appropriate tax and non-tax revenue assignments to Panchayat Raj Institutions such that each level of Panchayat is assigned a basket of at least one or two critical tax handles.